

Department of Cultural Affairs and Sport Audit Committee Briefing to SCOPA
for the year ended 31st March 2018

Department: Vote 13: Western Cape Department of Cultural Affairs and Sport

Audit Committee: Department of Cultural Affairs and Sport Audit Committee

Audit Committee Chairperson: Ameen Amod

Audit Committee Members: Mervyn Burton, Judy Gunther and Francois Barnard, Kerry Larkin (appointed January 2018)

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1. Introduction

The role of the Audit Committee is to ensure that the Department functions according to good governance principles, complies with accounting and audit standards and monitors that appropriate risk management arrangements are in place. In addition, the Audit Committee monitors the adequacy and reliability of the financial information provided to all users of such information.

The Audit Committee continues to assist management in discharging its responsibilities to safeguard its assets, operate adequate systems and controls and prepare Annual Financial Statements by:

- Improving communication and increasing contact, understanding and confidence between management, internal and external auditors.
- Increasing accountability by reviewing the performance of internal and external auditors.
- Strengthen the objectivity and credibility of financial reporting.
- Reducing the opportunity for fraud by continually improving the discipline and control, and
- Supporting Internal Audit, who is an important assurance provider to the Audit Committee.

2. Summary of Audit Committee Report 2017/2018

From our review of the reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the Management Report of the Auditor-General of South Africa (AGSA), the committee noted that there are no unresolved matters relating to operational and compliance controls.

The Audit Committee has noted some aspects of the system of Internal Control applied by the Department that need improvement. These are expressed in our Audit Committee Report and are expanded on below. We acknowledge the corrective measures committed to and commenced by the Department after year-end.

3 Overview of Audit Committee Activities	Action taken
<p>3.1 Compliance with our mandate</p> <p>The Audit Committee reports that it has complied with its responsibilities arising from section 38(1) (a) of the Public Finance Management Act (PFMA) and Treasury Regulation 3.1 and functioned effectively for the year under review.</p> <p>As reported in our Annual Report, the Audit Committee has adopted appropriate</p>	

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<p>formal Terms of Reference as our Audit Committee charter, which have been reviewed and approved by Cabinet in August 2016.</p> <p>We have regulated our affairs in compliance with this charter, and we have discharged all our responsibilities as contained therein.</p> <p>The members of the Audit Committee are independent and as a collective have displayed the requisite skills expected of them as set out in the regulations.</p>	
<p>3.2. Evaluation of the Annual Financial Statements</p> <p>The Audit Committee concurs and accepts AGSA’s opinion regarding the Annual Financial Statements, and proposes that the audited Annual Financial Statements be accepted and read together with the report of AGSA.</p> <p>In particular, the Audit Committee has obtained explanations for all significant variances as compared to the appropriated budget and the prior year.</p> <p>No outstanding investigations were noted other than those reported by AGSA, which have been handed over to the Forensic Investigations Unit or the Special Investigations Unit.</p> <p>3.3 Review of Accounting Policies</p> <p>The Audit Committee noted that any changes to the accounting policies, other than those reported by AGSA in his management report, were adequately presented in the Annual Financial Statements.</p> <p>3.4 Review of Management Report and Audit Report</p> <p>The Audit Committee has discussed the Management report with AGSA and the Management team and has noted Management’s responses. In particular, the Audit Committee noted that the Department achieved a clean Audit report.</p>	<p>Action plans contained in Management’s response will be monitored by the Audit Committee on a quarterly basis.</p>

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3.5 Internal Control

The Audit Committee deliberated the findings on control weaknesses highlighted by AGSA with Management. The Audit Committee has noted those findings and these will be followed up on a quarterly basis to ensure that these are resolved

The committee also regularly receives reports on control weaknesses from Internal Audit based on risks identified by management.

The following internal audit work was completed during the year under review:

- Arts and Culture – Initiation
- Geographical Names
- Heritage Western Cape
- Performance Monitoring and Reporting
- Transfer Payments
- ICT Audit

Some areas for improvement were noted by Internal Audit during the performance of their work.

The status of implementation on corrective actions is a standing item on quarterly Audit Committee agenda, and as such the committee reviews progress on a quarterly basis. The Department has implemented 95% of Internal Audit's recommendations as assessed by Internal Audit and Internal Control.

3.6 Internal Audit Function

Internal Audit, in their analysis of the Audit Universe, identified a total of 72 Risks. Of these, 42 Risks were identified as requiring coverage.

- 10 Risk were covered in this financial year,
- 7 Risks were covered via the Combined Assurance principles by other

These findings and Management's corrective steps will be monitored by the Audit Committee on a quarterly basis.

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<p>Assurance providers, and</p> <ul style="list-style-type: none"> ▪ 25 Risks were not covered, and this constitutes an Assurance Gap. <p>The Audit Committee agreed to a reduced coverage plan in the context of limited resources, which has been met and these reports were submitted quarterly to the Audit Committee.</p> <p>The Audit Committee remains concerned that further audit coverage is required to cover a significant percentage of high risk areas. The Audit Committee will encourage increased assurance over significant risk by overseeing the implementation of combined assurance principles.</p> <p>The Audit Committee is pleased that the Internal Audit Function completed all planned internal audits for the year under review.</p> <p>3.7 In-year Monitoring (IYM)</p> <p>The Audit Committee is satisfied with the content and quality of quarterly (IYM) reports prepared and issued by the Accounting Officer of the Department during the year under review.</p> <p>3.8 Predetermined Objectives (reported in the quarterly performance report QPR)</p> <p>The Audit Committee is satisfied with the content and quality of Quarterly Performance Reports prepared and issued by the Accounting Officer of the Department during the year under review. The Committee also notes the findings and conclusions of the Auditor General on predetermined objectives and will monitor Management’s commitments on corrective actions on a quarterly basis.</p> <p>3.9 Risk Management</p> <p>During the year under review, good progress has been made with the roll out of Enterprise Wide Risk Management (ERM) and the alignment of key risks to the strategic objectives of the Department.</p>	<p>The Audit Committee will continue to monitor the Department’s progress</p>
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<p>The Department’s process of further embedding Enterprise Risk management within the discourse and fabric of the Department has made steady progress.</p> <p>The Audit Committee will monitor further progress on a quarterly basis against the agreed plan.</p>	<p>with ERM.</p>
<p>4. Enhancing the effectiveness of the Audit Committee</p> <p>The Audit Committee continues to meet annually with the Executive Authority and the Accounting Officer to discuss progress with the oversight role of the Audit Committee and to follow up on agreed actions.</p> <p>The Audit Committee recognizes the need to promote sound relationships between all the assurance providers and management.</p> <p>The chairs of the Audit Committees have convened as a collective, and regularly engage with Internal Audit, Auditor General of South Africa, Top Management and other key role players with a view to resolving any transversal issues that may arise, to encourage proactive problem resolution and to promote combined assurance.</p>	
<p>5. Emerging Risks</p> <p>The Audit Committee notes the presence of emerging risks and will ensure that these risks are considered for inclusion in the risk profile of the Department and are considered by the Internal Audit plan. In particular, attention will be paid to the following risks:</p> <ul style="list-style-type: none"> • Audit Interpretation issues related to Transfer Payments versus Goods & Services distracts management from core service delivery. • Inventory Disclosure – increasingly onerous requirements • IFMS Piloting in the Western Cape • The move from Clean Audits to Performance Auditing (effective, efficient and economic audits) and service delivery. 	<p>Emerging Risks will be covered within the Combined Assurance Framework, and closely monitored by the Audit Committee.</p>

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<p>6. SCOPA resolutions</p> <p>The Audit Committee notes that SCOPA resolutions previously identified have been followed up and monitored during our quarterly review meetings.</p>	<p>The Audit Committee will continue monitoring progress with implementation of these resolutions in the current year.</p>
<p>Conclusion</p> <p>The Audit Committee noted the commitment of the Accounting Officer and his team to address the control deficiencies to maintain a clean audit in this Department. Audit Committee members will continue to be available to provide support and guidance to the Accounting Officer and the Department.</p>	